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# *REPORT TO THE CONGRESS*

## **Objectives Of The Feed Grain Program Not Attained Because Of Inclusion Of Nonagricultural Land**

*B-714824*

Agricultural Stabilization and  
Conservation Service  
Commodity Credit Corporation  
Department of Agriculture

*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

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JAN 12, 1971

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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D C 20548

B-114824

To the President of the Senate and the  
Speaker of the House of Representatives

This is our report on objectives of the Feed Grain Program not attained because of inclusion of nonagricultural land. The program is administered by the Agricultural Stabilization and Conservation Service, Department of Agriculture, for the Commodity Credit Corporation.

Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget, and to the Secretary of Agriculture.

A handwritten signature in cursive script, reading "James B. Stewart", is positioned above the printed name.

Comptroller General  
of the United States

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#### ABBREVIATIONS

ASC	Agricultural Stabilization and Conservation
ASCS	Agricultural Stabilization and Conservation Ser- vice
GAO	General Accounting Office

D I G E S T

WHY THE REVIEW WAS MADE

The objectives of the Feed Grain Program are to maintain farm income; stabilize prices of the grains used primarily for feeding farm animals; and ensure adequate, but not excessive, supplies of the feed grains--barley, corn, and grain sorghum--included in the program. The program is administered by the Agricultural Stabilization and Conservation Service for the Commodity Credit Corporation.

Program objectives remain unchanged under the recently enacted Agricultural Act of 1970. Changes in the Feed Grain Program made by that act do not materially affect the findings and recommendations contained in this report. (See p. 8.)

An important element of the program is the diversion of land from the growing of feed grains to an approved conservation use. This includes the planting of grass or other cover crops or allowing the land to lie fallow. The purpose of the diversion is twofold: controlling feed grain production and conserving land for future agricultural or related uses.

Participation in the Feed Grain Program is voluntary. A producer who elects to participate must divert a portion of his land from production to an approved conserving use. In return, he becomes eligible for price-support payments and loans on the balance of his feed grain crop. In addition, he may earn diversion payments by diverting additional land above the required minimum. (See p. 6.)

The General Accounting Office (GAO) made a review in 14 counties in six States of the types of land being diverted from production under the Feed Grain Program to see if the diversions were aiding in the accomplishment of program objectives. Most of the 14 counties were undergoing urbanization and therefore were areas in which the changing status of land could likely result in nonagricultural land's being enrolled in the program. GAO's findings therefore should not be considered typical of the entire program.

## FINDINGS AND CONCLUSIONS

Substantial payments were being made for the diversion from production of land that was being used, or was designated for use, for other than agricultural purposes.

In the 1969 crop year, questionable diversion payments totaling about \$618,000 were made to 938 farm owners or operators in the 14 counties. Payments of about \$189,000 made to 215 individuals or organizations from that group were selected for detailed review. (See p. 10.)

Of these payments, 136 totaling about \$116,000 were made for land used, or designated for use, for such purposes as housing and commercial development, recreation, country estates, sod nurseries, garbage dumps, and gravel pits. About \$87,000 was paid for the diversion of certain of these tracts in prior years. (See p. 10.)

Since the current or intended use of the land ruled out the growing of feed grain or was inconsistent with crop production, the diversion payments did not contribute to the control of production--the principal objective of the diversion portion of the Feed Grain Program. Most of the payments were to recipients engaged in businesses or occupations other than agriculture and thus were inconsistent with the program objective of maintaining farm income.

Further, the making of diversion payments for land being used, or intended to be used, for nonagricultural purposes does not aid in attaining the secondary program objective of conserving land for future agricultural or related uses. (See p. 11.)

Examples of nonagricultural land enrolled in the program follow.

- In 1969, a payment of \$1,484 was made for the diversion of 25 acres which were being developed as part of a residential community. In early 1970, a substantial amount of construction had been completed and construction activity had made much of the land unsuitable for cultivation. (See p. 12.)
- In 1968-69, diversion payments totaling \$1,400 were made to a garbage disposal company. An inspection of diverted acreage disclosed that the owner was selling the topsoil and was planning to use the excavated area as a garbage dump. (See p. 28.)
- In 1969, a payment of \$2,000 was made to a participant for the diversion of leased land within a privately owned ordnance proving ground. The ordnance manufacturer described the land--which is not readily

accessible, because of fences and padlocked gates--as a completely equipped facility for the loading and testing of ordnance devices ranging from small-caliber ammunition to bomblets, grenades, land mines, and fuses of all types. (See p. 32.)

During GAO's review, it became evident that Agricultural Stabilization and Conservation Service regulations governing the eligibility of land for diversion payments were being subjected to various interpretations by its county offices and county committees, both of which have responsibilities for the local administration of the program. Also, national and State offices were not providing the guidance to the county offices and committees necessary to ensure uniform interpretation of the regulations. (See pp. 36 and 38.)

GAO recognizes that the Feed Grain Program is difficult to administer because of the dispersal of program operations and because of rapid changes in land use resulting from urban development. Those difficulties underscore the need for (1) revised regulations to ensure that only eligible land is enrolled in the Feed Grain Program and (2) procedures requiring the Agricultural Stabilization and Conservation Service's national and State offices to make periodic reviews of county operations to ensure that regulations are being applied consistently and in furtherance of program objectives. (See p. 39.)

#### RECOMMENDATIONS OR SUGGESTIONS

The Administrator of the Agricultural Stabilization and Conservation Service should

- revise regulations to exclude from the program all land devoted to, or designated for, nonagricultural uses.
- establish review procedures at the national and State levels to provide assurance that adequate surveillance is maintained over the land being enrolled in the program and that regulations are being uniformly and consistently applied. (See p. 39.)

#### AGENCY ACTIONS AND UNRESOLVED ISSUES

The Administrator agreed with GAO's conclusions and reported that all State offices were instructed in August 1970 to direct county committees to review all cases of the type described in the GAO report and to take action to recover any overpayments or unearned payments, where appropriate.

The Administrator pointed out that the Congress was then considering new agricultural legislation which would provide for a diversion program for

feed grains, wheat, and cotton for the crop years 1971-73. The Administrator stated that, if this new legislation was enacted--and it was on November 30, 1970--he would take immediate action to:

- Review regulations with the aim of more clearly defining farms ineligible for the diversion programs.
- Strengthen administrative controls at national and State levels to provide assurance that (1) regulations are uniformly applied in determining land eligibility and (2) county committees maintain adequate surveillance of land to promptly identify those tracts shifting from agricultural to nonagricultural uses.

The actions proposed by the Administrator are responsive to GAO's recommendations. Since the changes made by the new agricultural legislation do not materially affect GAO's findings and recommendations, GAO plans to evaluate the adequacy of specific actions taken to ensure that diversion payments are not made for the diversion of ineligible land. (See p. 40.)

#### MATTERS FOR CONSIDERATION BY THE CONGRESS

This report should be of particular interest to the Congress because of the significant amount of nonagricultural land that has been placed in the Feed Grain Program in disregard of congressionally established program objectives.



## CHAPTER 1

### INTRODUCTION

The Feed Grain Program is one of several Commodity Credit Corporation agricultural commodity adjustment programs administered by the Agricultural Stabilization and Conservation Service (ASCS), Department of Agriculture. Under the program, producers who voluntarily divert land from feed grain production are eligible for price-support payments and may be eligible for diversion payments. The General Accounting Office's review was directed to determining if diversion payments were being made for nonagricultural land. For purposes of our review, we considered land to be nonagricultural if its then-current use prevented the growing of feed grain or if its intended future use was inconsistent with crop production.

Our review was conducted in 14 counties in six States. Most of the counties selected were undergoing urbanization and therefore were areas in which the changing status of land could result in ineligible tracts's being enrolled in the program. Our findings therefore should not be considered typical of the entire program. The scope of the review is shown on page 45.

### DESCRIPTION AND OBJECTIVES OF THE FEED GRAIN PROGRAM

The Feed Grain Program began during crop year 1961. The program in effect at the time of our detailed review and described in this report was authorized by title III of the Food and Agriculture Act of 1965, as amended (16 U.S.C. 590p.(i)).<sup>1</sup>

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<sup>1</sup>A new Feed Grain Program for crop years 1971-73 was authorized by title V of the Agricultural Act of 1970, effective November 30, 1970 (Public Law 91-524). See page 8 for a brief discussion of program changes authorized by that act.

The program's objectives are to

- stabilize feed grain prices,
- maintain farm income, and
- ensure adequate but not excessive supplies of feed grains.

A secondary objective, set forth in ASCS regulations, is to conserve the land for future agricultural or related uses.

The Feed Grain Program was designed to achieve the objectives of the act and the ASCS regulations by providing financial incentives to producers who voluntarily divert all or part of their farm feed grain base acreage from production to an approved conserving use. Producers participating in the program are compensated for diverting land from production by receiving price-support payments on the feed grains produced on the remaining base acreage. The producers are also eligible for payments for the diversion of land beyond a prescribed minimum acreage. The principal objective of the diversion portion of the Feed Grain Program is to control feed grain production.

Price-support and diversion payments made to producers under the 1969 Feed Grain Program totaled approximately \$1.6 billion. Of this amount, about \$915 million was for diversion payments. The grains included in the Feed Grain Program are corn, grain sorghum (milo), and barley and are used primarily for feeding farm animals.

#### PROGRAM REGULATIONS

The regulations provide that, to be eligible to participate in the Feed Grain Program, a producer have land on which a feed grain base acreage has been established with the ASCS county office. A farm's feed grain base acreage represents the average acreage of feed grains grown on the farm in crop years 1959-60, adjusted for such abnormal factors as the effects of weather and drought occurring during the base period and affecting the acreage. For farms which were not used for growing feed grains during

crop years 1959-60, the regulations provide an alternative means of establishing feed grain bases.

To be eligible for program benefits, a producer must agree to (1) divert a minimum of 20 percent of his farm's feed grain base acreage from production to an approved conserving use and (2) limit his planting of feed grains to the remainder of his base acreage. No payments are made for the required minimum diversions of land, except for small farms. The requirement that diverted acreage be placed in an approved conserving use is designed to ensure that the land does not deteriorate and will be available for production in future years. Examples of conserving uses include planting cover crops, such as legumes and grasses, and allowing the land to lie fallow.

A producer may agree to divert farmland above the required minimum acreage and may receive a diversion payment on the basis of the larger of (1) 25 acres, limited to the farm's feed grain base acreage, or (2) 50 percent of the farm's feed grain base acreage. Payments for acreage diverted beyond the required minimum are calculated by applying to the estimated grain yield of the diverted acreage a rate representing 45 percent of the applicable price-support rate. Thus, if, in addition to diverting the required minimum acreage, a producer diverted 10 acres of corn land yielding an estimated 80 bushels an acre and if the price-support rate for corn was \$1.35 a bushel, the producer would receive a diversion payment of \$486, calculated as follows:

Estimated yield of diverted acreage (10 acres x 80 bushels)	800 bushels
Applicable rate (45 percent of price-support rate--\$1.35)	\$0.6075
Diversion payment (estimated yield x rate)	\$486.00

Most of the instructions for the implementation of the Feed Grain Program regulations are contained in ASCS handbooks "Diversion Program - Feed Grain and Wheat (25-GR)," and "Farm Constitution and Allotment Record (3-CP)."

The ASCS instructions require ASCS county offices to verify producers' compliance with the Feed Grain Program regulations by annually spot-checking at least 25 percent

of those participating in the program. These spot checks include measuring the diverted acreage and determining whether it has been devoted to an approved conserving use.

### Small-farm regulations

The Feed Grain Program authorizing legislation and implementing regulations contain special provisions for small farms which are defined as those having a feed grain base acreage of 25 acres or less. The regulations provide that a small-farm producer may divert the entire feed grain base acreage from production and may be paid for the entire acreage diverted. For the minimum required diversion, the payment is computed by applying 20 percent of the local price-support rate to the estimated grain yield. For additional diversion, the payment is computed in the manner previously described for other farms.

### PROGRAM ADMINISTRATION

The Feed Grain Program is administered under the general supervision of the Administrator, ASCS, and is carried out in the field by Agricultural Stabilization and Conservation (ASC) State and county committees operating in 50 ASCS State offices and in about 2,900 ASCS county offices. Each ASC State committee comprises from three to five members appointed by the Secretary of Agriculture; each ASC county committee comprises three farmer-members elected by the farmers in the county. An ASC county committee is responsible for local program administration under the direction of the ASCS national and State offices. A list of the principal officials of the Department of Agriculture responsible for administration of activities discussed in this report is included as appendix II.

### CHANGES IN THE FEED GRAIN PROGRAM AUTHORIZED BY THE AGRICULTURAL ACT OF 1970

Title V of the Agricultural Act of 1970 provides for a new feed grain program for crop years 1971-73. The provisions of the new law relating to diversion of land from production are not greatly different from the old law. The Secretary is authorized to require, as a condition of eligibility for program benefits, that a producer set aside

(divert) to conservation uses a specific percentage of his farm feed grain base acreage and continue in a soil-conserving use the cropland acreage that had been devoted to such use in preceding years. The Secretary may also authorize payment for diversion of additional acreage. The new legislation, however, does not contain any special provisions for small feed grain farms.

The Agricultural Act of 1970 provides new methods for calculating payments, limitations on payments, greater planting flexibility to program participants, and a means of shifting feed grain bases from farms which do not plant their bases to active feed grain farms.

These and other changes do not materially affect our findings and recommendations, since the diversion program is continued under the new legislation and since many of the problems discussed in this report could occur unless ASCS improves its administration of the program.

## CHAPTER 2

### PAYMENTS FOR DIVERSION OF NONAGRICULTURAL LAND

Substantial payments were made under the Feed Grain Program for diverting land from production, even though the land either was being used, or designated to be used, for nonagricultural purposes.

In the 14 counties in the six States where we made our review, diversion payments of about \$4.8 million had been made to 7,200 farm owners or operators. Through discussions with program officials, reviews of local ASCS records, and other information coming to our attention, we identified for the 1969 crop year questionable diversion payments totaling about \$618,000 made to 938 farm owners or operators.

We selected for detailed review questionable payments of \$189,397 made to 215 individuals or organizations. Our review revealed that 136 payments totaling \$116,176 pertained to land already being used, or designated for use, for specific nonagricultural purposes. About \$87,000 was paid for the diversion of certain of these tracts prior to 1969.

Our selection of cases for review was based primarily on (1) evidence in ASCS county office records indicating that land being diverted from farm production was owned by individuals or organizations engaged in nonagricultural activities and (2) specific identifications by ASC county committees or ASCS county office personnel of land used for nonagricultural purposes, which land, they believed, ASCS regulations permitted to be enrolled in the program.

We considered the land to be nonagricultural if it failed to aid in accomplishing the principal objective of the diversion portion of the Feed Grain Program--controlling production--either because its then-current use prevented the growing of feed grains or because its intended future use was inconsistent with crop production. In our opinion, the diverted land involved in the 136 cases reviewed could not have been used for growing feed grains or would not have been used for such purpose in the absence of the diversion program.

Because the diversion payments were usually made to recipients who were engaged in nonagricultural businesses or occupations, we concluded that such payments did not contribute to the accomplishment of another principal Feed Grain Program objective--maintaining farm income. Further, the making of diversion payments for land already being used, or intended to be used, for nonagricultural purposes does not aid in attaining the secondary program objective, set forth in ASCS regulations, of conserving land for future agricultural or related uses.

We concluded that there was a need for ASCS to revise its Feed Grain Program regulations and administrative procedures to provide greater assurance that diversion payments are made only for land that is actually diverted from grain production to an approved conserving use. The ASCS regulations governing the eligibility of land for diversion payments have been subjected to varying interpretations by ASCS county offices and ASC county committees, both of which have responsibilities for local administration of the program.

Also our review indicated that ASCS national and State offices did not provide needed guidance to the ASCS county offices and ASC county committees in interpreting the regulations uniformly. We believe that the lack of program direction by the ASCS national and State offices contributed to the questionable payments identified in our review.

Since the diversion payments we reviewed were selected on a judgment, rather than a random, basis, our findings do not permit nationwide, State or county statistical projections. Because diversion payments were made for nonagricultural land in each of the six States included in our review and because weaknesses existed in ASCS regulations and procedures, we believe, however, that such payments are widespread and could be significant.

Examples of payments for diversion of nonagricultural land and a discussion of the weaknesses in ASCS regulations and procedures are presented in subsequent sections of this report.

## EXAMPLES OF DIVERSION PAYMENTS FOR NONAGRICULTURAL LAND

Our review showed that diversion payments had been made for nonagricultural land, such as (1) land used for housing and commercial developments, recreation, hobby farms and country estates, sod nurseries, garbage dumps, and gravel pits, (2) land held for speculation, and (3) idle land.

### Housing and commercial developments

Land being used for housing and commercial developments constituted the most significant nonagricultural land use identified by us. In most instances, the land was owned by housing or commercial developers and some construction had been completed or was in progress. The remaining portion of such land was committed to future development of housing or commercial facilities. The committed land not developed was enrolled in the program by the developer or by an individual renting it from the developer.

As an indication of the degree to which such situations existed, we identified in one of the urbanized counties, 173 tracts of land which had established feed grain base acreages and which were owned by developers or similar organizations. The owners or rentors enrolled 72 of the 173 tracts in the 1969 feed grain program and received diversion payments totaling \$84,000. Our review of seven of the 72 tracts showed that varying degrees of conversion of the land for nonagricultural purposes had taken place.

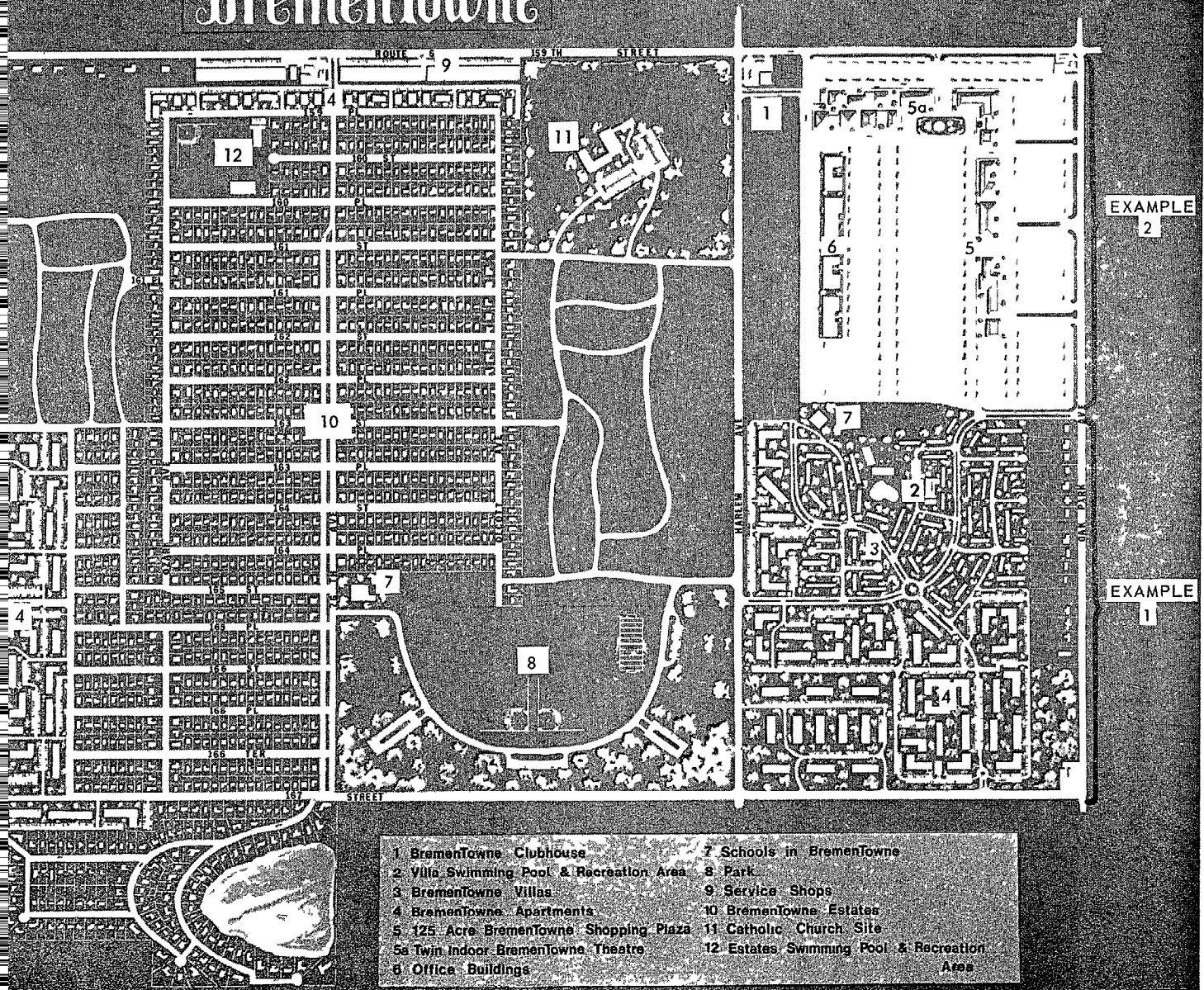
Five examples of diversion payments for land used or designated for nonagricultural purposes follow.

#### Example 1

In 1969, ASCS paid \$1,484 for the diversion from grain production of 25 acres of a 70-acre tract of land which was part of a 1,000-acre tract being developed as a residential community. (See exhibit obtained at developer's sales office, shown on the following page.) ASCS county office records showed that the developer had rented the 70-acre tract to an operator who received the diversion payment.



# Bremen Towne



In discussing this case with ASCS county office officials, we were told that they were aware that some construction would take place on the land and that in March 1969 they had arbitrarily reduced the tract on their records from 98 to 70 acres. The officials stated, however, that they did not know the location of the construction, the acreage involved, the number of acres rented by the operator, or the location of the diverted acreage. In early 1970, we made several visits to this tract and were accompanied on some visits by representatives of the ASCS county or State office. During our visits we observed that:

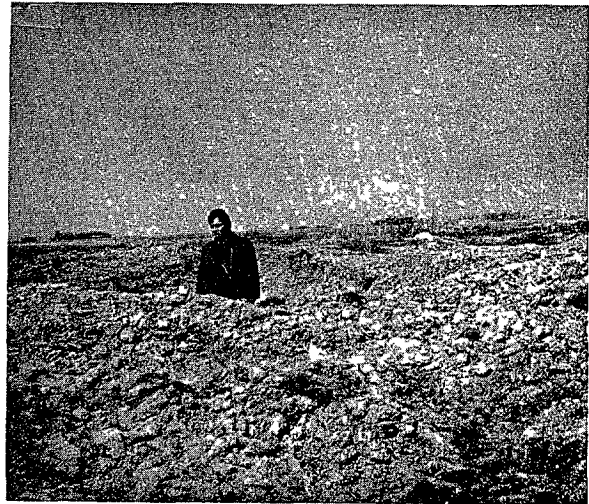
- A substantial amount of construction had been completed on part of the 70-acre tract.
- Construction materials, debris, and equipment were scattered about the tract.
- Topsoil had been removed from some areas while other areas were covered with heavy weeds
- The land surrounding the construction was very rough, underground utilities had been installed, and storm sewer manholes and hydrants protruded above the ground level

The following photographs illustrate some of these conditions.

## EXAMPLE 1



TOPSOIL REMOVED



CLAY SUBSOIL FROM SEWER  
CONSTRUCTION AND ROUGH LAND

At the developer's sales office, we were advised that construction had begun in January 1968 and that by November 1, 1968, model homes, a community center, and many other facilities had been open for public inspection.

The developer stated that he had rented the land to an operator on the basis of the operator's judgment of the number of remaining farmable acres. In 1969, the operator rented 50 acres. In discussions with ASCS State and county officials, we learned that the operator had grown soybeans on at least 35 acres during 1969. Most of the remaining 15 acres could not have been farmed because of the effects of construction which we observed during our visits. In any event, since the operator had rented only 50 acres and had farmed 35 acres, the maximum acreage divertable was 15 acres. The operator, however, was paid \$1,484 for the diversion of 25 acres. The diversion payment was made on the basis of ASCS county office records which showed that the operator was renting the entire 70-acre tract.

ASCS county office records showed that the operator had applied for participation in the 1970 Feed Grain Program stating that he would divert 17.5 acres of the feed grain base acreage.

### Example 2

This 120-acre tract was included in the 1,000-acre tract referred to in the preceding example. Plans called for a shopping center to be constructed on the tract. Therefore the 120-acre tract, because of its nonagricultural status, could not aid in achieving the program objective of conserving land for future agricultural use. (See exhibit on p. 13.) The tract contained 114 acres of cropland having a feed grain base acreage of 58 acres.

In 1969, the developer rented 93 acres of the cropland to an operator for \$30 an acre. Although the operator rented only 93 of the 114 acres of cropland, he claimed diversion and price-support payments based on the entire feed grain base acreage, instead of on a proportionate share of that acreage. He received a diversion payment of \$1,000 for diverting 29 acres from production and a price-support payment of \$800 for planting corn on 29 acres.

Our inspection of the tract showed that the equivalent of about one half an acre of the designated diverted acreage consisted of a blacktopped, access road to the developer's property.

### Example 3

ASCS county office records showed that a 165-acre tract having an established 68-acre feed grain base was owned by a large developer who leased it to the former owner. In crop year 1969, the tract was reduced on county office records from 180 to 165 acres with a proportionate reduction in its feed grain base acreage, due to hospital construction. County office personnel told us that the 15-acre reduction had been based on the area staked out for hospital construction.

We found that, of the 165 acres, 60 were owned or controlled by a hospital foundation. The hospital foundation, which acquired the 60 acres in 1964, designated 28 acres as the hospital site and assigned the remaining 32 acres to two holding companies controlled by the hospital foundation. The remaining 105 acres were owned by the operator, an adjoining village, and various other interests. The

105 acres, except for one parcel, were zoned for residential development.

We were unable to establish from available information the degree to which the 105 acres were controlled by the operator. With regard to the hospital acreage, the hospital administrator advised us that a rental agreement with the operator for crop year 1969 provided for the lease at \$16 an acre of the number of acres the operator considered farmable.

In 1969, the operator diverted from production 27.2 acres of the tract's 68-acre feed grain base, for which he received a diversion payment of \$788, and planted corn on the remaining 40 acres, for which he received a price-support payment of \$938.

We visited the tract in December 1969 when the hospital construction was nearing completion. We observed that, as shown in the following photographs, the designated diverted acreage for 1969 was rough, rutted, and packed because of the installation of underground utilities and because of vehicular traffic.

### EXAMPLE 3



UTILITY INSTALLATIONS PROTRUDING  
ABOVE GROUND LEVEL



DIVERTED ACREAGE IN FOREGROUND  
SHOWING EFFECTS OF VEHICULAR TRAFFIC

The diversion payment was based on the inclusion of 4.1 acres of the acreage designated as the hospital site by the hospital foundation and of the 1-acre backyard to the operator's residence. Although the ASCS county office spot checked the diverted acres during the 1969 crop year, its report did not make any mention of the condition of the diverted acreage or of the above-mentioned 5.1 acres.

The operator informed the county office that he intended to divert 34 acres of the 68-acre feed grain base in crop year 1970.

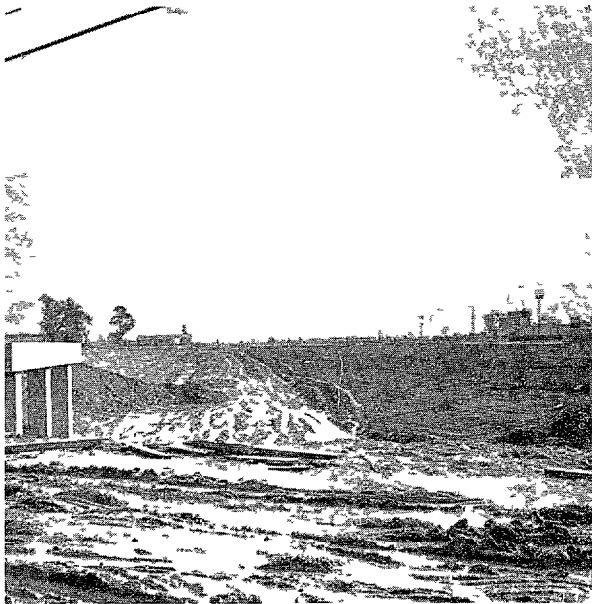
#### Example 4

ASCS county office records identified as a ranch 11 parcels of land--10 scattered in and about an industrial park and one (zoned for community commercial development and multifamily housing) located about 2 miles distant.

The 11 parcels, combined, contained 150 acres of cropland with a feed grain base of 35 acres. During crop year 1969, the operator of the ranch received a diversion payment of \$847. Information concerning the parcels of land comprising the ranch, obtained from several sources, follows.

- The owners of four of the parcels were a railroad company and its subsidiary. A representative of the railroad subsidiary stated that the land, which was being held for sale as industrial property, was leased to an operator for weed-control purposes to keep the property presentable.
- According to the local chamber of commerce, the land in the industrial park is valued at between \$15,000 and \$20,000 an acre.
- The extent of development on the parcels in recent years is evidenced by the fact that cropland acres since 1965 have been significantly reduced.
- During 1969, construction of a new street, a railway spur, and a track for a rapid transit system affected three of the land parcels, as indicated by the following photographs.

#### EXAMPLE 4



ROAD CONSTRUCTION ACROSS  
THE INDUSTRIAL PARK LAND



RAPID TRANSIT ROUTE

The ASC county committee members advised us that they believed that the feed grain base acreage for the property probably should be canceled; however, they stated that they did not know how, under existing regulations, they could refuse to enroll this land in the Feed Grain Program or to cancel the feed grain base until there was actual conversion of the property to some other use.

#### Example 5

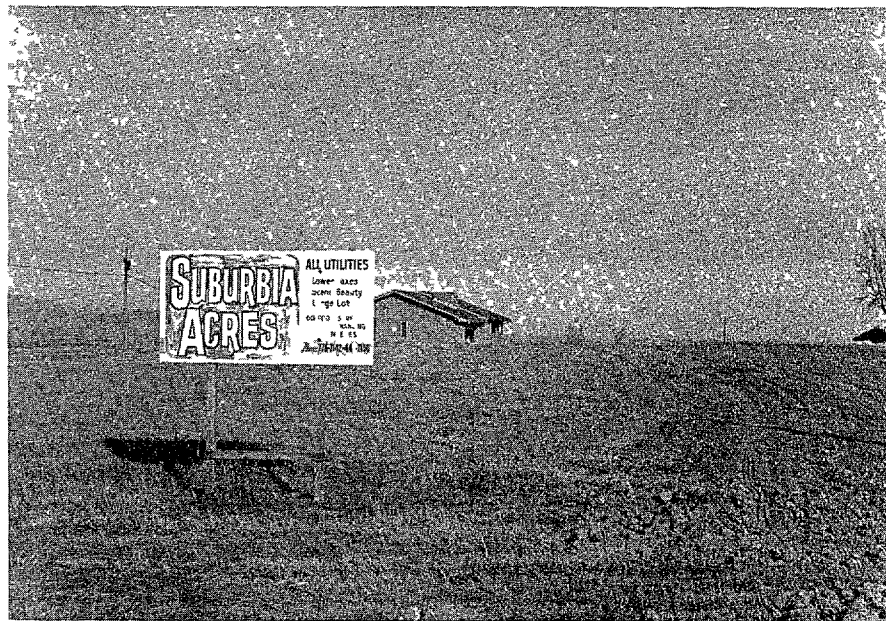
This tract of land was one of 30 pointed out to us by an ASCS county office official as nonagricultural land which he felt should not be eligible for enrollment in the Feed Grain Program. He stated that more specific guidelines were needed to support such a determination. Pertinent facts concerning this tract follow.

--For crop year 1969, the ASC county committee reduced the area of the cropland from 67 to 61 acres and reduced the corn portion of the feed grain base from 22 to 20 acres because of housing construction on the property.



- In 1968-69, the owner developing the land received diversion payments totaling \$1,745 for enrolling the entire corn base acreage in the Feed Grain Program.
- Although the land was not being farmed and although a prominent sign advertised the property for sale as housing sites, as indicated by the following photograph, the ASCS county office records classified it as a farm.

#### EXAMPLE 5



CURRENT CONSTRUCTION AREA

- - - -

We believe that the foregoing examples indicate that the objectives of the Feed Grain Program--to control production and maintain or increase farm income--are not being met by allowing land held for housing and commercial development in urban areas to be enrolled in the program. Further, the secondary program objective set forth in ASCS regulations of conserving land for future agricultural and related uses is not being met.

Many ASCS county officials and ASC county committees expressed the view that, under current ASCS regulations, only that portion of a tract of land which cannot possibly be returned to farming as a result of commercial or residential development can be declared ineligible for enrollment in the Feed Grain Program. Some county officials, however, held the opposite view--that all land designated for future development could be declared ineligible.

In our opinion, program objectives logically dictate eliminating the feed grain base acreage from all lands not to be preserved for future agricultural or related uses. We believe that the type of ownership, current value, and zoning classification of the land often provide valuable information for use by an ASC county committee to determine whether land is eligible to be enrolled in the program.

## Recreation

In 17 cases, diversion payments were made for land used for recreational purposes, including a nudist club, a county park and recreation area, camp sites, and sportsmen clubs. Two examples follow.

### Example 6

Since 1962, diversion payments totaling about \$1,000 have been made for the diversion of a 7-acre feed grain base located on a 40-acre tract of land used as a nudist club. This tract of land was pointed out to us by ASCS county office personnel as an example of nonagricultural land that was enrolled in the Feed Grain Program.

The land was acquired by the nudist club in 1962, and no grain crops have been grown on it since that time. The land is fenced, and the designated diverted acreage has several house trailers located on it. A permanent water pump was also located on the diverted acreage.

We questioned the propriety of diversion payments to the nudist club, since such payments did not benefit farmers and since the land was committed to a nonagricultural use. An ASCS county office official stated that ASCS regulations did not restrict the eligibility of such land for enrollment in the Feed Grain Program and that, in his opinion, the land would remain eligible until the owners voluntarily surrendered the established feed grain base acreage.

### Example 7

During crop year 1969, a diversion payment of \$910 was made to the Oakland County, Michigan, Parks and Recreation Commission for the diversion from production of 25 acres of land.

The commission acquired the land in 1968 for public recreational purposes. Approximately half of the purchase price of \$657,000 was provided by a grant from the U.S. Department of Housing and Urban Development under the Open Space Program.

The commission requested that the land be enrolled in the program for 1969. The Oakland County ASC committee declared the land ineligible for diversion because of the commission's public announcement that the land had been acquired for recreational purposes. ASCS records indicated that the commission had not renewed a rental agreement with a farm operator because the commission wanted to proceed promptly with development of the land.

The commission, in requesting the ASC county committee to reconsider its decision, stated that it would have rented the land for farming had it known that the land would be adjudged ineligible for the 1969 program. The ASCS county committee, in reconsidering its decision, decided that the land would be eligible for the 1969 program but not thereafter.

We believe that allowing this land to be enrolled in the program was contrary to ASCS regulations which provide that.

"The following are not eligible for designation as diverted acreage:

\* \* \* \* \*

"I. Land intended to be used for a specific non-farm use in a later year, which would not be devoted in the current year to an agricultural use. All public land not leased or rented for the production of crops is in this category, unless the owner (State, county or local Government) established to the satisfaction of the COC [ASC County Committee] that:

"1. Adequate equipment and other facilities are readily available for the successful production of row crops and small grains.

"2. Production of such crops is a normal practice."

In January 1970, we visited the property and found that the primary use being made of the land was for recreational purposes. We observed that the tract was posted with signs advertising its recreational use, as indicated by the following photograph.

**EXAMPLE 7**



**ACCESS GATE**

## Hobby farms and country estates

The category of hobby farms and country estates includes small parcels of land which are owned by nonfarmers and on which no grain crops are grown. The small acreages--some with as little as a 1-acre feed grain base--are uneconomical farming units and generally are the subdivided remnants of former farms. Payments for the diversion of the feed grain base acreage in this category are illustrated by the following examples.

### Example 8

Payments of at least \$1,300 for the diversion of the 8-acre feed grain base acreage of an 18-acre country estate have been made since the estate was acquired by a businessman in 1964. The owner of the estate had no farming equipment except a lawn tractor and had grown no crops on the property. Moreover, two ASC committee spot checks of the property revealed that the diverted acreage was not in an acceptable condition for farming. Nevertheless the ASC county committee granted the owner a 7-bushel-an-acre increase in the estimated corn yield of his base acres, which resulted in an increase in the diversion payments.

### Example 9

ASCS county office officials identified a 40-acre parcel of land which had an established 15-acre feed grain base and which should not have been enrolled in the program because it was the country estate of a construction firm owner. Payments for diversion of the entire base acreage in 1967-69 totaled \$1,646. ASCS county office records showed that no crops had been grown on the estate during those years.

### Example 10

A payment of \$54 was made in 1969 for the diversion of a 2-acre feed grain base on a 7-acre parcel of land. Except for that part of the property occupied by a house near the road, the property was covered with grass and weeds. According to the ASCS county office personnel, the owner of the land was not a farmer.

- - - -

Hobby farms constitute a sizable percentage of the farms in the 14 counties where we made our review. Although our review indicated that most of these small tracts were not enrolled in the Feed Grain Program, it appeared nevertheless that a significant portion of the diversion payments for nonagricultural land were being made to owners of such farms.

We believe that hobby farms and country estates owned by nonfarmers should be excluded from enrollment in the Feed Grain Program, particularly when the tracts are too small to be considered economic farming units. In our opinion, excluding these tracts from participation in the program would be consistent with the objectives of the Feed Grain Program and ASCS regulations. Diverting these tracts from farm production to conserving uses (1) does not aid in maintaining farm income, because the tract owners are not farmers and (2) has only a negligible effect on controlling farm production and assisting in stabilizing feed grain prices. Although these diversions may contribute slightly to conserving land for future agricultural use, we believe that the Government's administrative efforts to accomplish this objective are out of proportion to the benefits to be realized.

#### Sod nurseries, garbage dumps, and gravel pits

We found that eight activities in the category of sod nurseries, garbage dumps, and gravel pits were enrolled in the Feed Grain Program. Four were sod nurseries. Examples illustrative of these operations follow.

##### Example 11

ASCS made diversion payments totaling \$4,400, covering crop years 1967-69, for a 157-acre tract of land having an established 30-acre feed grain base. This tract of land has been used solely for growing sod since 1963. The tract was pointed out to us by ASCS county office officials as an example of nonagricultural land that was enrolled in the Feed Grain Program by owners for the sole purpose of receiving diversion payments.

Opinions differed among ASC county committees concerning the eligibility of sod nurseries for enrollment in the Feed Grain Program. ASCS regulations state that land cannot be designated as diverted from grain production when sod is being removed.

### Example 12

ASCS made diversion payments totaling \$1,400 in 1968-69 to an owner who, according to ASCS county office records, was operating a garbage disposal company. During our visit to the property, we observed that the owner was removing the topsoil from one of his two tracts of land. He informed us that he was selling the topsoil and subsoil and that he would use the excavated area as a garbage dump.

The two tracts, which covered 41 acres, had an established feed grain base of 15 acres. Although a portion of the cropland had been reduced by soil removal and debris accumulation, the feed grain base had not been proportionately reduced to reflect this change in land use. After we brought this case to the attention of the county office manager, the tracts were declared ineligible for further participation. The owner agreed with this determination.

### EXAMPLE 12



DEBRIS ON CROPLAND



SOIL BEING REMOVED FROM CROPLAND



### Example 13

A 140-acre tract of land having a gravel pit was acquired by a gravel pit operator in 1963. The tract had an established 18-acre feed grain base. During the period 1963-69, the gravel pit operator received diversion payments totaling about \$3,400 for annually diverting the feed grain base acreage. During that period, the ASC county committee made only one reduction of the cropland and feed grain base because of encroachment of the gravel removal operations upon the tract, even though (1) no feed grains had been grown on the 140-acre tract during the period and (2) the land was being used, or was intended to be used, for nonagricultural purposes.

## Speculative and idle land

Most of the land in the category of speculative and idle land was considered by local ASCS officials to be too valuable to hold for feed grain production. Although land held for investment purposes could include farmland, our attention was directed to those properties which could not be, or would not have been, farmed. The following examples are illustrative of such cases.

### Example 14

During 1968-69, diversion payments totaling \$473 were made to the owner of a 7-acre parcel of idle land which had an established 5-acre feed grain base and which was located within a city's corporate limits. This tract, classified as a farm by the ASCS county office, is lowland and is not easily accessible because of obstacles surrounding it.

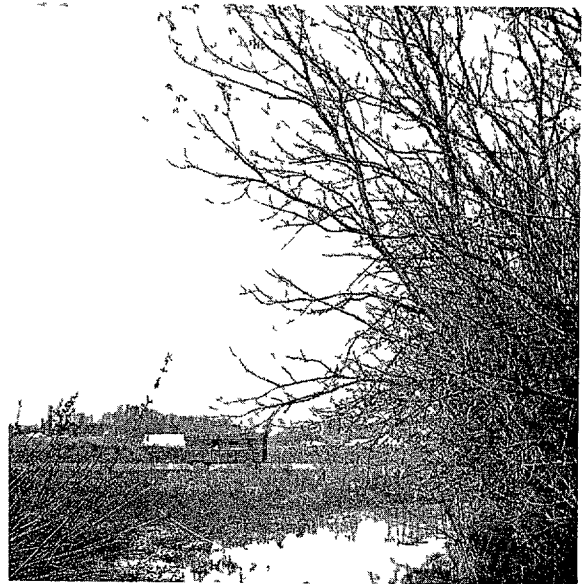
During a visit to the property in February 1970, we observed that it was covered with weeds and that about 25 percent of the area was inundated by water which was being pumped from a nearby sewer project. Inquiry at the sewer project revealed that the pumping operation had begun in July 1969 and had continued at the rate of about 600 gallons a minute.

When we informed the ASCS county office manager of the land's condition, he stated that the mud, wet conditions, and new fence along the only side available for access prevented the participant from cutting the weeds. In our opinion, this property is submarginal land that could not be farmed. (See photos on following page.)

#### EXAMPLE 14



DIVERTED ACREAGE UNDER WATER  
AND WEED COVERED



DRAINAGE DITCH

#### Example 15

In 1969, ASCS made a diversion payment of \$376 for a 20-acre parcel of land which had an established 12-acre feed grain base and which had been acquired by an investment group for speculation. A sign prominently displayed on the property advertised it as industrial land for sale. A member of the investment group objected to receiving a diversion payment because the group did not intend to farm the land. On January 13, 1970, the ASC county committee declared the land ineligible for participation in the Feed Grain Program.

#### Example 16

In 1969, a doctor living in the State of Washington wrote to the ASCS county office requesting any possible program benefits for his 160-acre farm that was "lying idle" in the State of Minnesota. Subsequently, he was paid \$125 for diverting acreage equal to the farm's 5-acre feed grain base.

### Example 17

The owners of a parcel of idle land which had an established 8-acre barley feed grain base and which was surrounded by commercial property enrolled it in the Feed Grain Program in 1966 and 1969 and received diversion payments of \$327. Because barley was determined not to be a surplus commodity during crop years 1967-68, ASCS regulations prevented the owners from enrolling this land in the Feed Grain Program during these years. Although the land was not eligible for diversion, it remained idle during crop years 1967-68. We believe that failure to grow feed grains on this land in the absence of a diversion program clearly indicated that it was not being held for agricultural uses.

### Other types of land use

We noted several diversion payments which, because of the unique characteristics of the land, did not fall within any of the previously discussed categories. These payments pertained to land used for a privately owned ordnance proving ground, land around the runways of a major metropolitan airport, and land for a complex of greenhouses used to grow carnations. Information on the ordnance proving ground is presented below.

### Example 18

In 1969, ASCS made a payment of \$2,000 to a participant for diverting parcels of land within a 2,400-acre ordnance proving ground comprising numerous farms acquired by the ordnance manufacturer.

The manufacturer described its proving ground as:

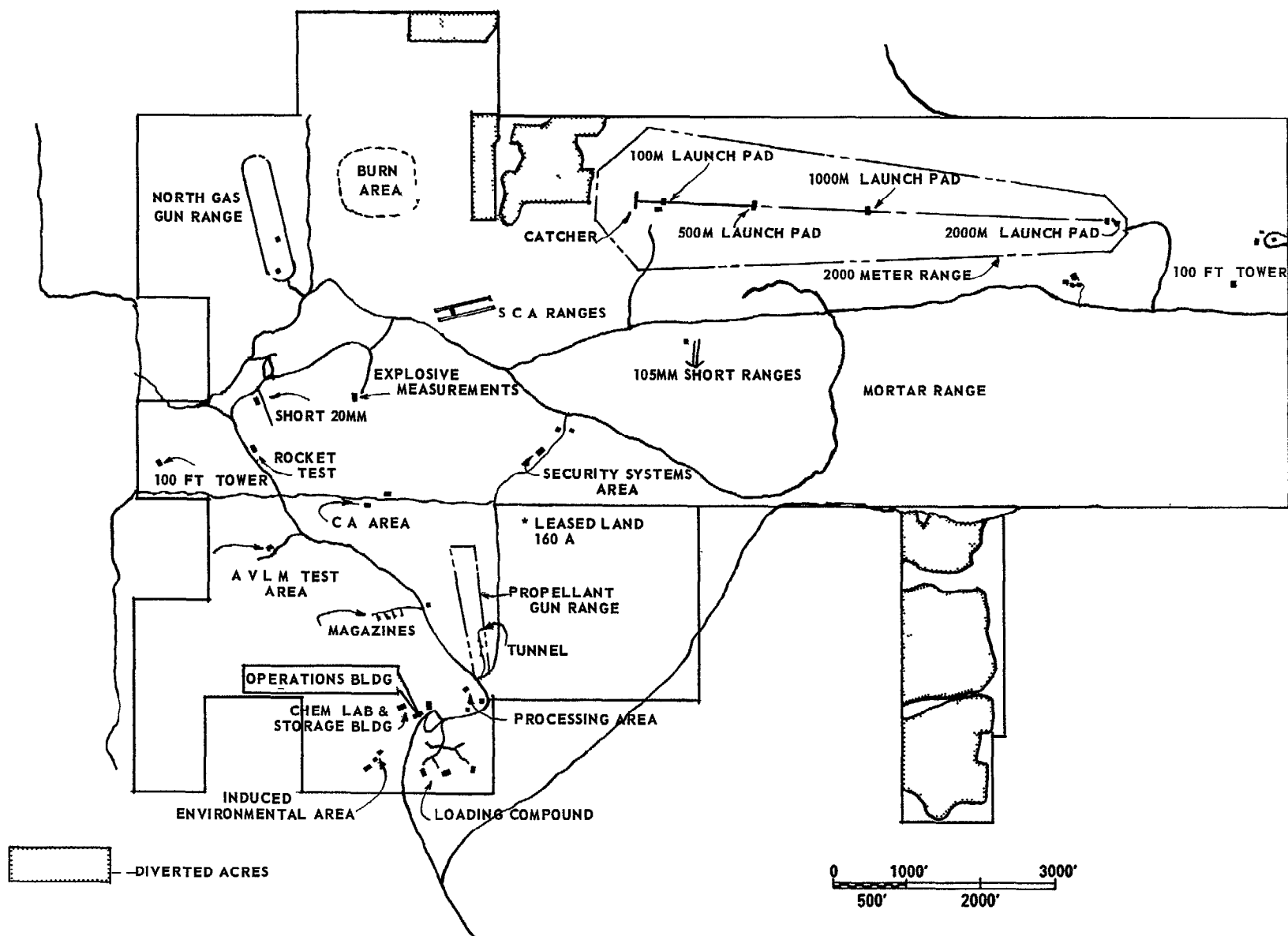
"\*\*\* a fully staffed and completely equipped facility for the loading and testing of ordnance devices from small caliber ammunition to bomblets, grenades, land mines and fuses of all types. With a wide variety of permanent equipment, loading facilities, ranges and experienced staff, \*\*\* is one of the most complete private ordnance proving ground and testing facilities available. \*\*\*"

\* \* \* \* \*

"\*\*\* Whether aerially delivered, gun launched or fired by a mortar or howitzer \*\*\* can provide the specific testing facility \*\*\* needed \*\*\* to meet the munition requirements."

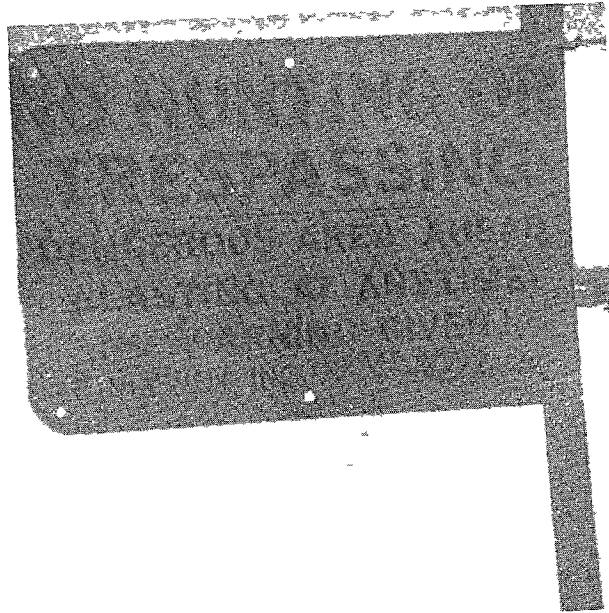
In 1969, the program participant rented four tracts of land that were a part of the proving ground. According to ASCS county office records, the rented land included 190 cropland acres which had an established 77-acre feed grain base and which, when combined with the participant's owned farm, gave him a 156-acre feed grain base. In 1969, the participant, for designating 78 acres of the rented land as diverted acreage and growing corn on 77.4 acres of his own farmland, received a price-support payment of about \$1,700 and a diversion payment of \$2,000. We visited the property accompanied by the participant and observed that the rented tracts of land were not easily accessible because of pad-locked gates, fences, and distances from the participant's farm. We believe that, because of the dangerous environment, the land could no longer be considered agricultural land.

The following exhibit and photo show the location of the diverted acres on the ordnance proving ground and the warning signs attached to every fourth fence post around the proving ground.



**ORDNANCE PROVING GROUND**

**EXAMPLE 18**



**ORDINANCE PROVING GROUND  
WARNING SIGN**

**BEST DOCUMENT AVAILABLE**

REVISIONS IN REGULATIONS AND PROCEDURES  
REQUIRED TO PROVIDE ASSURANCE THAT  
PROGRAM OBJECTIVES ARE MET

As illustrated by the preceding examples, there is a need for ASCS to revise its regulations and administrative procedures to ensure that only agricultural land will be eligible for diversion payments under the Feed Grain Program. Improved regulations and procedures are necessary to the effective accomplishment of the Feed Grain Program objectives--control of production, maintenance of farm income, and conservation of land for future agricultural or related uses.

Need to strengthen ASCS regulations

The ASCS regulations provide a basis for excluding non-agricultural land from enrollment in the Feed Grain Program under certain circumstances. The regulations, however, have been subjected to various interpretations by ASCS county office personnel and by ASC county committees that are responsible for the local administration of the program. We believe that, to ensure that nonagricultural land of the types revealed during our review is excluded from the program, ASCS should establish more specific and clear-cut regulations.

For example, we found that, under similar circumstances, acreage in the process of being developed for housing had been declared eligible or ineligible for enrollment in the Feed Grain Program depending upon the ASC county committee making the determination. One of the ASCS regulations regarding such uses of land states that the following type of land is not eligible for designation as diverted acreage.

"Land which at the time the diverted acreage is designated is expected to be utilized in the current year for industrial development, housing, highway construction, or other NONFARM use."

In applying the above regulation, one ASC county committee ruled that a tract of land was eligible under the program although the land (1) was not being farmed, (2) had been earmarked for housing construction, and (3) was part of



an overall housing development site on which construction was well under way. (See example 5 on p. 20.) The ASC county committee members stated that, in their opinion, such land should not be enrolled in the program; however, the unused land was eligible for participation in the program because it remained suitable for farming.

In contrast, another ASC county committee, after learning that a 30-acre tract of land contained housing and that additional development was planned, declared the land ineligible for enrollment in the program. The committee obtained a refund of the advance diversion payment, even though a portion of the land could have been farmed. Another ASC county committee declared a tract of land ineligible because the owner was a developer and had built two houses on the property.

Other regulations also relate to the eligibility of land for enrollment in the Feed Grain Program and are likewise subject to diverse interpretations. Where appropriate, the more pertinent regulations are referred to in this report.

Need for change in procedure for  
determining eligibility of land for  
enrollment in the Feed Grain Program

Most of the ASCS officials whom we interviewed stated that the most significant problem in administering the Feed Grain Program was keeping abreast of constant changes in land use. ASCS officials stated that it was impossible, in many of the urban counties, to keep up with changes in land use due to the rapid urbanization and that, as a consequence, ineligible land was being enrolled in the program. These statements, we believe, are borne out by our review of many cases in which the ASCS county offices' farm records were inaccurate or incomplete.

The ASCS county offices' farm records often did not correctly identify the owners of land for which feed grain base acreages had been established nor contain sufficient information to determine that the land was currently eligible for enrollment in the program. In some instances, the records had not been updated to reflect information

available in the offices. For example, one ASCS county office's files showed that a participant in the program had refunded his advance diversion payment in 1969 because his land was being used for a housing development. As of March 1970, the ASCS county office, however, had not removed the land from its records. In another instance, the ASCS county records were adjusted to remove a tract of land after we informed the office that a church, a school, and several houses were located on the land.

With the exception of making spot checks of farms enrolled in the Feed Grain Program, ASCS county offices are not required to verify the data contained in its farm records. Officials in only one of the ASCS county offices included in our review stated that they made a special effort to keep current with changes taking place in farm areas being developed.

We believe that, to avoid the need for ASCS county offices to maintain farm records showing the up-to-date status of land in predominantly urban and nonagricultural areas and to lessen the burden on ASC county committees in determining whether applicants' lands are eligible for enrollment in the program, ASCS should adopt procedures requiring such applicants to furnish evidence that the lands are being held for agricultural uses.

We believe also that improved administrative procedures are required to provide for more uniform and consistent application of ASCS regulations by the over 2,900 ASC county committees throughout the United States. The ASCS national and State offices should, we believe, periodically review the actions of ASC county committees--particularly in developing urban areas--to determine whether payments are being made for diversion of nonagricultural land.

## CHAPTER 3

### CONCLUSIONS, RECOMMENDATIONS, AND AGENCY ACTIONS

#### CONCLUSIONS

We believe that the primary objectives of the Feed Grain Program--to control production, stabilize feed grain prices, and maintain farm income--are not being met by diversion payments for land devoted to, or designated for, nonagricultural uses. Furthermore, the program is not achieving the secondary objective of conserving land for future agricultural or related uses.

We recognize that the Feed Grain Program is difficult to administer because of the dispersal of program operations and because of the changes in land use due to urban development. These difficulties emphasize the need for (1) revised regulations to ensure that only eligible land is enrolled in the program and (2) procedures requiring ASCS national and State offices to make periodic reviews of county operations to ensure that regulations are being applied consistently and in furtherance of program objectives.

#### RECOMMENDATIONS TO THE ADMINISTRATOR, ASCS

We recommend that the Administrator, ASCS, revise the regulations to exclude from the program all land devoted to, or designated for, nonagricultural uses. We suggest that consideration be given to:

- Providing criteria for determining when an area should be considered predominantly nonagricultural.
- Requiring applicants for enrollment of land in the program in predominantly nonagricultural areas to furnish evidence to ASCS that they are actively engaged in an ongoing farming operation.

Because nonagricultural land could be enrolled in the Feed Grain Program in other than predominantly urban areas, the matters discussed in this report should be brought to the attention of appropriate ASCS county officials in all counties involved in the Feed Grain Program.

We recommend also that the Administrator, ASCS, establish review procedures at the national and State levels to provide assurance that (1) ASCS county offices and ASC committees are maintaining adequate surveillance over land enrolled in the feed grain acreage diversion program and (2) ASC county committees are uniformly and consistently applying ASCS regulations governing the Feed Grain Program.

#### AGENCY ACTIONS

In commenting on a draft of this report, the Administrator, ASCS, advised us by letter dated September 23, 1970 (see app. I), that ASCS concurred in our conclusions and that certain actions had been taken or planned pursuant to our recommendations. He stated that ASCS believed that it had developed administrative regulations which would give adequate guidance and authority to ASC county committees to enable them to exclude nonagricultural land from the diversion program, but that, on the basis of our findings, the regulations appeared to be inadequate for ensuring uniform county committee application of the provisions designed to exclude such land from the program.

The Administrator stated also that, on August 25, 1970, a wire notice was sent to all ASCS State offices in which a feed grain program was in effect, as follows:

"Several cases have come to our attention where land has been bought for housing developments or other nonagricultural uses and acreage thereon has been diverted under the wheat or feed grain program. In some cases no farming operations were carried out. In other cases the \*\*\* [feed grain base acreage] or allotment was too large because a part of the cropland used for establishing the base or allotment has already been used for nonagricultural purposes. Other cases around urban areas were reported where no farming operations were carried out but the land was signed up as diverted under the program and payments were made. You are instructed to direct county committees to carefully review all cases of this kind and to take action to recover any overpayments or unearned payments. The only exception is where a producer acted in

good faith on misinformation furnished by a representative of the county committee. Further instructions will follow."

The Administrator pointed out that the Congress was then considering new agricultural legislation which would provide for a diversion program for feed grains, wheat, and cotton for 1971-73 crops. He stated that, if this legislation was enacted--and it was on November 30, 1970--he would take immediate action to (1) review the administrative regulations with the objective of more clearly defining those farmlands which would be ineligible to participate in the feed grain, wheat, and cotton programs because they were currently devoted to, or designated for, nonagricultural uses and (2) strengthen ASCS administrative controls at the national and State levels to ensure that there was uniform application of the regulations with regard to land falling into the nonagricultural category and to ensure that ASC county committees and office personnel maintained adequate surveillance of land in their respective counties to immediately identify those tracts which had shifted from agricultural uses to nonagricultural uses.

The Administrator stated that ASCS had some reservation regarding our suggestion to exclude land in predominantly nonagricultural areas from enrollment in the Feed Grain Program, except where the program applicant could prove, to the satisfaction of the ASC county committee, that he was actively engaged in an ongoing farming operation. He stated also that, although ASCS agreed, in principle, with our suggestion, he questioned whether ASCS could enforce such a regulation in the absence of congressional or legislative direction. The Administrator said, however, that ASCS would study our suggestion further to determine its feasibility.

Our suggestion was not intended to preclude a farmer in an urban area from enrolling land in the Feed Grain Program but rather to ensure that those who do enroll land in the program have bonafide farming operations.

We believe that the actions proposed by the Administrator are responsive to our recommendations. Since the changes effected by the new agricultural legislation do not materially affect our findings and recommendations, we plan

to evaluate the adequacy of specific actions taken by ASCS to ensure that payments are not made for diversion of non-agricultural land.

## CHAPTER 4

### INTERNAL AUDIT OF FEED GRAIN PROGRAM

The Office of the Inspector General, Department of Agriculture, conducted an audit of the 1968 Feed Grain Program in 10 States. The purpose of the audit was to determine whether program participants were complying with program requirements in accordance with their certifications to ASC county committees and to appraise the adequacy of the ASCS State- and county-level reviews and spot checks to verify that participants were complying with program requirements.

The Office of the Inspector General's review disclosed significant deficiencies in the certification of compliance aspect of the Feed Grain Program. In its report, dated June 30, 1969, the Office of the Inspector General stated that, from its audit tests on a random sample of 958 farms in the 10 States and 507 counties, compliance had been incorrectly certified on 121 of the farms. Erroneous payments on these farms totaled about \$65,000. The Office of the Inspector General projected that, at a 95-percent-confidence level, total ineligible payments, including penalties, for all feed grain farms in the 10 States would amount to at least \$39.3 million.

The most serious violation, in the opinion of the Office of the Inspector General, was the failure of program participants to comply with program requirements on all farms in which they had an interest. ASCS regulations require that a participant, if he owns or has an interest in more than one farm, meet the program requirements on all such farms. Almost one third of the erroneous payments of \$65,000 found by the Office of the Inspector General involved violations of this requirement. Most of the remaining erroneous payments involved failure of participants to comply with acreage requirements, such as (1) exceeding the permitted feed grain acres, (2) deficient diverted acres, and (3) deficient conserving base acres.

The Office of the Inspector General's report concluded that the deficiencies were due, in part, to weaknesses in program administration at the State and county level and

that there was a need for more effective prosecution of participants who knowingly made false certifications regarding compliance with program regulations.

The Office of the Inspector General made several recommendations for corrective measures to the Deputy Administrator, State and County Operations, ASCS. The recommendations were aimed at (1) improving procedures for obtaining certification from participants as to acreage on non-participating farms in which they had an interest, (2) improving management of compliance operations, (3) issuing or revising instructions regarding the measurement of conserving base acres and the control of weeds, and (4) taking action to strengthen cases submitted to the Department of Justice against participants who had knowingly falsified their compliance reports to obtain program benefits.

In a report to the Inspector General dated August 1, 1969, the Deputy Administrator, State and County Operations, ASCS, described certain actions which had been or were being taken to correct the deficiencies disclosed by the Office of the Inspector General's review. These actions covered, to a large extent, all the recommendations enumerated above. The only recommendation with which ASCS disagreed concerned the need for measurement of conserving base acres.



## CHAPTER 5

### SCOPE OF REVIEW

We reviewed (1) the legislative history of the act authorizing payment for diverting land from production under the Feed Grain Program, (2) pertinent ASCS regulations, procedures, and practices in administering the program, and (3) the use of land enrolled in the program.

Also, we reviewed ASCS's farm records; interviewed ASC county committee members and ASCS county office personnel, and farm owners and operators; and inspected many tracts of land. Our fieldwork was performed at 14 ASCS county offices in the States of California, Colorado, Illinois, Michigan, Minnesota, and Texas.

## **APPENDIXES**



## UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE • WASHINGTON, D.C. 20250

DATE. SEP 23 1970

TO. Victor L. Lowe, Associate Director, GAO

SUBJECT: GAO Draft of Report to the Congress on Feed Grain Program Payments  
Made for Diversion of Nonagricultural Land

We concur with the conclusion of the subject audit that the primary objectives of the feed grain program--to control production, strengthen prices and maintain or improve farm income--are not being met with regard to payments made for the diversion from feed grain production of land devoted to or designated for nonagricultural uses. It is not the intent of this agency to provide administrative regulations which would allow payments for diversion of land which is or will be devoted to nonagricultural uses.

In compliance with one of the major objectives of the feed grain program--to assure adequate but not excessive supplies of feed grains--we have developed administrative regulations which we believed would give adequate guidance and authority to ASC county committees to enable them to exclude from the diversion program those tracts of land which would be devoted to nonagricultural uses. Following are the pertinent guidelines which we have issued in regulations and administrative handbook instructions to accomplish the objective of excluding nonagricultural land from participating in the program:

1. Diverted acreage must be land which was cropland in the preceding year and is currently classified as cropland which, under normal conditions, could reasonably be expected to produce a crop.
2. The following are not eligible for designation as diverted acreage:
  - (a) Land which the county committee determines the producer reasonably could not expect to use in the absence of the program for the production of the crop being diverted because of the physical condition of the land or any other reason.

- (b) Land which at the time the diverted acreage is designated is expected to be utilized in the current year for industrial development, housing, highway construction, or other nonfarm use.
- (c) Land devoted to nonagricultural uses on or before September 30 of the current year.
- (d) Land intended to be used for a specific nonfarm use in a later year, which would not be devoted in the current year to an agricultural use. All public land leased or intended for the production of crops is in this category, unless the owner (State, county and local government) establishes to the satisfaction of the county that adequate equipment is readily available for the successful production of row crops and small grain and the production of such crops is a normal practice.

Based upon our review of the cases set forth in the subject audit, it would appear that the above cited administrative regulations are not sufficiently adequate to insure uniform county committee application of the provisions which were designed to exclude nonagricultural land from program payments. This audit would also seem to indicate that the administrative control through national and State offices has not been sufficiently strong to provide uniform application of the administrative regulations.

We have already taken action to comply with one of the recommendations set forth in the subject audit. The problem discussed in this audit report has been brought to the attention of the State offices in all States in which a feed grain program is in effect. Following is the content of a wire notice which was issued to the chairmen of all of the feed grain States on August 25:

"Several cases have come to our attention where land has been bought for housing developments or other nonagricultural uses and acreage thereon has been diverted under the wheat or feed grain program. In some cases no farming operations were carried out. In other cases the base or allotment was too large because a part of the cropland used for establishing the base or allotment has already been used for nonagricultural purposes. Other cases around urban areas were reported where no farming operations were carried out but the land was signed up as diverted under the program and payments were made. You are instructed to direct county committees to carefully review

all cases of this kind and to take action to recover any overpayments or unearned payments. The only exception is where a producer acted in good faith on misinformation furnished by a representative of the county committee. Further instructions will follow."

The wheat and feed grain diversion programs terminate with the 1970 crop year. Congress is currently considering legislation which would provide for a diversion program for wheat, feed grains and cotton for the 1971 through 1973 crops. If this legislation is enacted, we would plan to take immediate action to review our administrative regulations with the objective of more clearly defining those farms which would be ineligible to participate in the feed grain, wheat and cotton programs because they are currently devoted to or designated for non-agricultural uses. We would also plan to strengthen our administrative controls at the national and State levels to assure that there be a uniform application of the regulations with regard to land falling into the nonagricultural category and to assure that county ASC committees and office personnel maintain adequate surveillance of land in their respective counties to immediately identify those tracts which have shifted from agricultural to nonagricultural uses.

We have some reservation with regard to the suggestion contained in the recommendations of the audit report which would exclude all land in predominantly nonagricultural areas from the feed grain program, except where the program applicant can prove, to the satisfaction of the county committee, that he is actively engaged in an ongoing farming operation. Although we do not disagree with this suggestion in principle, we question whether in the absence of congressional or legislative direction that we could enforce a regulation of this nature. However, we will study this suggestion further to determine its feasibility.

  
Administrator

PRINCIPAL OFFICIALS OF  
THE DEPARTMENT OF AGRICULTURE  
RESPONSIBLE FOR ADMINISTRATION OF  
ACTIVITIES DISCUSSED IN THIS REPORT

<u>Tenure of office</u>	
<u>From</u>	<u>To</u>

DEPARTMENT OF AGRICULTURE

SECRETARY OF AGRICULTURE:

Orville L. Freeman	Jan. 1961	Jan. 1969
Clifford M. Hardin	Jan. 1969	Present

UNDER SECRETARY OF AGRICULTURE:

Charles S. Murphy	Mar. 1961	June 1965
John A. Schnittker	June 1965	Jan. 1969
J. P. Campbell	Jan. 1969	Present

AGRICULTURAL STABILIZATION AND  
CONSERVATION SERVICE

ADMINISTRATOR:

Horace D. Godfrey	Jan. 1961	Jan. 1969
Kenneth E. Frick	Mar. 1969	Present

DEPUTY ADMINISTRATOR, STATE AND  
COUNTY OPERATIONS:

R. V. Fitzgerald	June 1962	Feb. 1969
William E. Galbraith	Feb. 1969	May 1969
George V. Hansen	May 1969	Present